

IVRS SELF-EMPLOYMENT PROGRAM

Right to Informed Choice

All individuals with disabilities have the right and responsibility to exercise self-determination and make choices about their lives, including vocational pursuits. Self-employment may be considered in the wide array of employment options available for eligible clients of IVRS but is not an appropriate goal for everyone. It is essential that a client is well-informed of potential risks, and efforts are made to minimize those risks when considering the IVRS self-employment program.

Self-Employment as An Option

The process for developing a plan for self-employment is progressive and begins with an assessment of a client's potential for self-employment success based on the following conditions:

- Client displays the personality, traits and characteristics conducive to self-employment
- Vocational evaluation and appropriate feasibility studies reflect self-employment aptitude and a good employment match
- The income derived from a self-employment plan is to be the client's primary source of support
- Self-employment is the result of a client's informed choice and consistent with their unique strengths, resources, abilities, capabilities and interests, and each client understands the complexities and seriousness of this choice
- Self-employment will produce a greater likelihood of client's ability of attaining and maintaining employment

A. Purpose

The purpose of self-employment is to assist individuals achieve a level of self-sufficiency, defined as a minimum of 80% of Substantial Gainful Activity. Self-employment is a vocational option available only to profit-making businesses intended for operation within the state of Iowa. The purpose of self-employment services is to support an employment outcome that will significantly contribute to a client's financial self-sufficiency. Individuals who desire to enter into a self-employment goal without any interest in achieving that level of economic independence are encouraged to explore opportunities through the Medicaid Infrastructure or other similar types of quality of life venues.

B. Definitions

Application - The *Application* is a form that may be completed by a client interested in self-employment to establish, maintain, expand, or acquire a small business. Completing an *Application* is the 2nd Step in the self-employment process and submitted by a client to their rehabilitation counselor after *Initial Planning* (Step 1) has occurred.

August, 2007



Break even - A business is considered *breaking even* when net sales are sufficient to pay all business expenses on a monthly basis and no additional money is required.

Business Concept - A brief description of a business, including what makes it unique and better than its competition.

Business Development Specialist - An IVRS employee who is the rehabilitation counselor's link to the IVRS Self-employment program. Responsibilities include evaluating and scoring all applications and business plans, providing business case management services, assisting with financial packaging, providing consultation and technical assistance on business development, implementation, monitoring and follow-up. Business Specialists respond to any communications directed to the IVRS Self-employment program. This individual will be the primary point of contact for counselor questions and comments regarding self-employment.

Business Expansion - An addition to an existing business which may include expansion of a part-time business to a full-time business requiring additional equipment or business services. A Business Plan must outline the specific shared contributions of the existing business in relationship to the desired plan to expand.

Business Plan - A written document which includes the following components: 1) a complete business description including information regarding the type of business, status of the business, business structure/ form, qualifications or past experience an individual has had in this type of business, vendor/supplier information, and hours of business operations; 2) a market plan which includes information regarding competition, location, targeted markets, product/services description, market need, promotional plan, sales/marketing strategies, advertising goals and methods, as well as expected outcomes; 3) a financial plan, including information relative to assets already owned, plans to meet current debts or loans to ensure financial continuity during business planning, information related to resource exploration for additional funding, arrangements for record-keeping, income projections that include a break-even analysis, documentation outlining start-up expenses, cash flow projections and profit and loss statements; 4) an explanation of how the business will meet match needs; 5) a tiered approach to financial growth with specific timeframes, benchmarks and next steps identified; and 6) other information deemed necessary by the client, counselor, supervisor or business specialist for a clearer understanding of the business plan.

Business Development Planning - The process of preparing a business plan using Technical Assistance, if deemed necessary. *Business Planning* occurs after feasibility is completed and is Step 4 in the IVRS self-employment program.

Business Implementation - Resources in the form of Financial and/or Technical Assistance may be provided during *Business Implementation*.

August, 2007



Examples include equipment or supplies authorized by rehabilitation counselors in *Business Implementation* (Step 5) of the self-employment program.

Business Monitoring - After a business start-up, a client is closely monitored to assure all facets of the business are being managed effectively. Monthly reports are compiled by IVRS Business Development Specialists documenting that start-up operations are proceeding as planned in the final step (Step 6) of the self-employment program.

Counselor Justification - This involves a brief statement of support by a counselor after meeting with a client to resolve any issues with the potential to impede business success. This written statement indicates counselor support for a client's continued involvement in self-employment.

Feasibility - Business *Feasibility* relates to services necessary to determine if a business concept is feasible. A business venture is considered feasible when it can generate enough profit to meet the income goal required for an individual to be considered self-sufficient. Business Development Specialists make an initial determination of feasibility in Step 3 of the self-employment process based on financial projections and the client's ability to operate the business in a profitable manner (with assistance from contracted vendors as needed).

Financial Assistance - Financial Assistance relates to monies used to purchase the necessary tools, equipment, products or services necessary to open the doors of the business and maintain the business as outlined in the client's Business Plan. Expenditures for financial assistance cannot exceed \$10,000, unless authorized by the Administrator of IVRS. Financial Assistance needs to be matched by the client by 50% of the amount requested. This match can include loans, cash and/or previous assets for the business that were contributed by the client. Previous IVRS expenditures for items purchased as part of a client's rehabilitation plan that can be utilized in the business count towards the agency's \$10,000 figure. The specific dollar amount available depends upon the unique and individual needs of the business as outlined in the business plan.

Hobby - A hobby is an activity for which there is not an expectation of profit and is defined as a spare time recreational pursuit.

Home-based Businesses - Working at home should not be confused with home-based employment. If an individual's home is the location for performing job duties as an employee such as telecommuting, and the individual is working for someone else, the person is not self-employed.

Income - Offset - Involves a form signed by client allowing IVRS to explore potential obligations a client may be financially responsible for within the State of Iowa. (see Income-Offset form)

August, 2007



Initial Planning - Begins as Step 1 in the self-employment process and involves a counselor and client completing three separate checklists designed to identify issues needed for resolution prior to advancing further in the IVRS Self-employment program.

Micro-enterprise - Is a business that employs 5 or fewer employees, usually in a sole proprietorship, partnership or family business. Start-up costs for most micro-enterprises are usually under \$50,000.

Orientation Workshops for Self-Employment - The IVRS Self-employment program provides training and information to eligible rehabilitation clients who are interested in exploring entrepreneurship. Orientation Workshops are held and information provided to help clients determine if self-employment is an appropriate goal, and clarify expectations for small business development. The Orientation Workshop provides details involved in establishing, expanding, maintaining or purchasing a business. The IVRS Business Development Specialist informs rehabilitation counselors of scheduled Orientation Workshops (which a counselor can authorize as Technical Assistance if costs are involved for a client). Information provided during sessions includes the application process; business plan development; a review of the business implementation and monitoring process; self-employment issues; and an overview of the IVRS Self-employment program. Zoning, insurance, sales, financial and record-keeping issues are also discussed, as well as roles and responsibilities for those involved in self-employment. Clients are made aware of other sources of support that may be available from resources such as the Iowa Able Foundation, the Small Business Administration, Iowa Small Business Development Centers and the Abilities Fund.

Outline of Potential Costs - A summary of costs provided by Business Development Specialist for counselors to review related to purchases or services needed once a client's Business Plan is approved.

Product and Service Cost Analysis - This is a process a business must go through for each of its products and services to determine the production costs for providing the products and services offered. This calculation is derived by listing the cost of every item that goes into the product or service, including labor costs based on the amount required to hire someone to do the same work, and any overhead. This is used to determine the amount the product or service must be sold for in order to guarantee a profit level sufficient to support the goals of the business.

Profit/Loss - Profit and loss are terms applied to the accounting spreadsheet that calculates all revenues (sales) and expenses. Subtracting expenses from revenues determines if the business has a net profit or loss. If expenses exceed revenues, it is a loss. If revenues exceed expenses, it is a profit.

Program Planner Administrator - An IVRS manager who supervises the Self-employment program for quality services and generates information for reporting purposes to federal, state and local partners. This individual is responsible for the

August, 2007



quality assurance of the IVRS Self-employment program and monitoring August, 2007

outcomes, while providing guidance and technical assistance to Business Development Specialists and rehabilitation staff on disability-related issues affecting self-employment.

Progress Checklist - A tool for counselors to utilize that outlines responsibilities and timelines specific to each step in the 6-step IVRS self-employment process.

Reasonable Period of Time - A specifically defined length of time following the provision of Financial Assistance to carry out the Business Plan, at the end of which it is expected that the individual will have achieved self-sufficiency. The length of time is jointly agreed to by the client, counselor, and IVRS Business Development Specialist, and reflected on the Individual Plan for Employment and Business Plan.

Self-Employed - The individual's primary employment and income is from the business for which Financial Assistance was provided, and the individual owns at least 51% of the business.

Self-Employment Program - A program developed under an agreement between the Iowa Finance Authority (IFA), the Iowa Vocational Rehabilitation Services (IVRS), and the Iowa Department for the Blind (IDB). Through this program, state-appropriated money is made available to match Federal Title I VR dollars to create a fund available for specialized Technical Assistance in determining the feasibility of a business concept and/or developing a business plan. Financial Assistance is available for establishing, maintaining, acquiring or expanding a business that is owned and operated at least 51% by an eligible client of either IVRS or IDB. The IVRS Self-employment program is only allowed for profit-making businesses operating within the State of Iowa. Non-profit business ideas are not eligible for self-employment services and are recommended to be developed further through local community resources or other service providers.

Self-Employment Progress Report - A monthly progress report including profit and loss information completed by IVRS Business Development Specialists and shared with counselors.

Self-Sufficient - An individual who is *self-sufficient* no longer relies on supplemental income from public sources such as SSI, SSDI, TANF, etc. Substantial Gainful Activity (SGA) determined by the Social Security Administration is also an indicator of *self-sufficiency*. Individuals are considered self-sufficient when they earn at least 80% of SGA and derive their sole means of support through self-employment.

August, 2007



Start-Up Costs - Start-up costs refers to all costs involved in opening a business, including equipment, inventory, rent and utilities, advertising, insurance, legal fees, supplies not related directly to resale, such as cleaning materials, office supplies, etc. Start-up costs are expenses incurred in setting up a new business until the business can reach a breakeven level.

Subcontract - A term between a prime contractor and a subcontractor to furnish supplies or services for the performance of a prime contract or subcontract. A contractor is responsible for payment of all taxes, fees and charges when due.

Technical Assistance - Any specific business related service provided by a consultant designed to assist an applicant who is establishing, maintaining, expanding, or acquiring a small business. Expenditures for Technical Assistance cannot exceed \$10,000, unless authorized by the Administrator of IVRS. IVRS Business Development Specialists are responsible for providing Technical Assistance for the business, in collaboration with rehabilitation counselors. Consulting services purchased on behalf of the client are determined by IVRS Business Development Specialists prior to expenditure. External Technical Assistance is used when specialized services are needed to meet the business needs. Examples of this include accounting services, web page design and attorney consultation. Technical Assistance does not include the skills necessary to actually operate the business. Those skills should be in place once a client's Individual Plan of Employment identifies self-employment as the viable goal.

Unprofitable Business Operation - Any business which does not generate profit can become a substantial economic liability. By definition, a business must produce a profit. If the business does not generate enough income to maintain its expenses (including the cost of the owner's time and efforts), there is usually no advantage to business ownership.

C. Scope of Services

Self-employment is a business operated by the client in which that individual performs, supervises or subcontracts the major part of the product or service to be produced. The eligible individual must own at least 51% of the business and may include sole proprietorships, partnerships or corporations.

IVRS does not support hobbies that are not income-producing, nor business ventures that are speculative in nature or considered high-risk. Examples of this might include multi-level marketing, gambling or trading in commodities, bonds, equities and currencies, or investment schemes.

IVRS does not assist in the purchase of franchises, real estate, or cover individual insurance needs. Business liability insurance as part of a business's start-up or

August, 2007



projected costs can be considered for financial assistance by a counselor and approved by a supervisor. IVRS does not purchase vehicles unless it can be shown that a vehicle is an integral part of a business and specifically related to a business equipment or service need. Involvement in self-employment must result in a profit-making venture and as such, IVRS cannot provide support in developing non-profit 501 C3 organizations or similar businesses.

The entire self-employment process should be a joint venture between rehabilitation clients and counselors, in collaboration with IVRS Business Development Specialists, Program and Planning Administrator, IVRS Supervisors, along with consultants and/or service providers, vendors and other individuals involved in planning, or responsible for providing financial or technical support. Communication between the client and IVRS representatives is an on-going process and is essential to ensure common understanding of the intricacies of self-employment.

The IVRS Self-employment program is a tiered system in which an eligible client is afforded an opportunity to explore options before actual business planning begins. Continued involvement in this program can be considered as the client progresses through each step outlined in the self-employment process.

STEPS IN THE SELF-EMPLOYMENT PROCESS

- 1. Initial Planning**
- 2. Application**
- 3. Feasibility**
- 4. Business Planning**
- 5. Business Implementation**
- 6. Business Monitoring**

After a client's eligibility for IVRS services is established, a client and counselor begin the development of an Individual Plan for Employment (IPE). During this process, self-employment is an individual choice that may be considered as a method to reach an established employment goal. Assessments obtained in the eligibility process may be conducive in helping determine self-employment as a realistic goal. Additional assessments may be needed prior to developing an IPE with a self-employment goal.

It is important for clients to consider all factors before pursuing self-employment. Rehabilitation counselors are critical in helping clients understand the different aspects involved in self-employment by asking questions, gathering information and utilizing checklists to identify issues that might impact a client's business success.

Step 1. Initial Planning . this process allows clients and IVRS staff to begin exploring self-employment before an investment of time or money is made. Checklists are completed between counselors and clients prior to further involvement in the Self-employment program.

August, 2007



CHECKLIST 1

1. Does the client have any outstanding debts to the State of Iowa or elsewhere including; defaulted student loans, delinquent child support, unpaid income tax, bankruptcy that includes business debt, a poor credit rating that shows recent uncontrolled debts, inadequate collateral, or any judgments or liens against them?
2. Does the client have a criminal history including any felony charges that might interfere with owning or operating the proposed business or securing needed collateral?
3. Is the proposed business an activity that can be legally undertaken in the State of Iowa? (~~%legal+~~as defined by Iowa's Attorney General)
4. Will the client operate and own at least 51% of the business? If an existing business, can client provide documentation? (formalized partnership agreements, financial filings, etc.)
5. Is the proposed business located within the state of Iowa?
6. Can the individual put up at least 50% of the financial package for any monetary support requested from IVRS?
7. Is client willing to aggressively seek self-sufficiency through business ownership?
8. Will client establish a business that is ~~%or~~ profit?+

CHECKLIST 2 (Disability Analysis)

It is important for an individual interested in self-employment to thoroughly research any barriers their disability might present in terms of employment. This information should be reviewed with rehabilitation counselors along with the need for possible accommodations. Many business ventures that did not take into account disability-related issues failed by neglecting to adequately address the impact of disability in business planning.

1. Describe the nature of your disability and the functional limitation(s) it presents to you in relationship to working:
2. Describe the types of things you have done to minimize the functional limitation(s) presented by your disability:
3. Describe the impact these strategies have had upon your ability to perform functional activities related to your business or daily living activities (address stamina, endurance, mood):
4. Describe what you would do if there were periods of time your disability interfered with your ability to work:

Business Concept and Disability:

1. Describe your business idea, specifically identify the type of business and the goods or services that will be sold by the business:

August, 2007



Iowa
**Vocational
Rehabilitation**
Services

2. Describe the location of the proposed business project. If there are transportation issues, identify how those will be resolved if the business is feasible.
3. Explain why you want to open this type of business.
4. Describe your management skills in owning and operating a for-profit business.
5. Describe your financial and accounting skills in owning and operating a for-profit business.
6. Describe your experience in providing this type of service or product.
7. Describe your related technical skills in owning and operating this type of business.
8. What are the physical demands of operating this business?
9. Do any of the requirements of the job cause you concern in consideration of the functional limitations imposed by your disability?
10. In light of your disability, how will you handle the physical, mental and emotional demands of your business?
11. What kinds of assistive aids or devices might be required in order for you to successfully run your business?

CHECKLIST 3 (Is Small Business Right For You?)

Because certain skills and experience are necessary for businesses to be successful, rehabilitation counselors begin by asking clients basic yes/no questions:

Are you aware that running your own business might require working long days, up to seven days a week as well as holidays?

1. Do you have the physical stamina to handle the workload and schedule?
2. Do you have the emotional strength to withstand pressures?
3. Are you prepared to lower your standard of living until your business is established if needed?
4. Is your family prepared to accept the strain that comes with running a business?
5. Are you prepared to lose any savings you might have?
6. Can you contribute 50% to the costs of the business and have the creditworthiness or resources to participate?
7. Do you like people and get along well with others?
8. Do you know what basic skills (such as accounting, computer, working with public) are needed in order to have a successful business? (if so, do you possess those skills?)
9. Have you ever worked in a managerial or supervisory capacity before?
10. Have you ever worked in a business similar to the one you want to start?
11. Have you had any business training in school?
12. Are you willing to participate in an entrepreneurial workshop/orientation?
13. If you discover you don't have the basic skills needed for your business, are you willing to delay your plans until you've acquired the necessary skills?
14. Can you provide documentation demonstrating your search for comparable services and benefits?

August, 2007



Upon satisfactory resolution for any issues discovered in *Initial Planning*, a counselor provides a client information related to Step 2 of the self-employment process .
Application

Step 2. Application

Within this step, a rehabilitation counselor is asked to provide a brief summary indicating support for a client's continued involvement in self-employment through a written "Counselor Justification" statement. The following questions should be addressed by counselors in an effort to help separate sound ideas from those with a high potential for failure before a client progresses further in the self-employment process.

Counselor Justification

1. Is this client committed in seeking self-sufficiency as an eventual goal?
2. Can this client be expected to actively participate in the self-employment process?
3. I have confidence in this client's thinking ability, competency in human relations, communication skills and technical knowledge.
4. Has this client shown motivation and been able to follow through with tasks so far?
5. Does client's intended product or service satisfy an unfilled need and have the supporting information that documenting this?
6. Will this product or service serve an existing market in which demand exceeds supply?

The opportunity for a client to participate in an Orientation Workshop is required unless clear and convincing evidence demonstrates that he/she has already received similar training or has an educational background or experience to allow movement to the next step without participating.

A client is then provided an *Application* by their counselor to complete and return. Completed *Applications* are forwarded to Business Development Specialists for review before a client proceeds further in the self-employment process.

APPLICATION FOR IVRS SELF-EMPLOYMENT SERVICES

I. Description of the Business

- A.** Explain your business proposal
- B.** Indicate what type of business you will operate:
 1. Wholesale
 2. Retail
 3. Service
 4. Manufacturing
 5. Construction
 6. Other (describe)

August, 2007



C. Status of Business

1. Start-up
2. Existing
3. Taking over existing

D. Business Form

1. Sole proprietorship
2. Partnership
3. Subchapter S
4. Corporation

E. What type of experience do you have in this business?**F. Have you spoken with vendors/suppliers to find out what help they will provide? If so, who are they and what help will they provide?****G. What are normal or proposed business hours?****II. Marketing your Business****A. What will you sell?****B. Who are your target customers?****C. How often will they buy your product or services?****D. Where are your customers located?****E. What is the present size of your market in terms of dollars?****F. How have you determined the selling price for your product or service?****G. How much will you need to sell in a day, a week, a month for solvency (or reach SGA?)****H. Will you be offering credit terms to your customers? If so, what will they be?****I. What kinds of promotions will you use? How much will you spend on promotion?****J. What will it cost to produce, advertise, sell and deliver your product or service?****K. How do you plan to market your product/service?****L. State the laws (city/county) that govern your business as well as zoning requirements.****M. Who are you current competitors?****N. What will be special or unique about your business?****O. How will your business differ from your competitors?****III. Financial Information****A. State your plans to meet any debts, payments on loans to start the business, or to make up any losses in the operation until the business is self-supporting. Explain how you will financially stay afloat until your business becomes self-supporting****B. What are your plans for securing money (other than personal funds) to start the business, either from a bank, other lending agency, SBA loan program, etc.?****C. Describe your arrangements for record keeping and accounting.****D. List all permits (building, food, tobacco, utility, etc.) needed for the initiation of your business including any zoning requirements or restrictions.****E. List the equipment, inventory and expenses necessary to start, expand or acquire your business and how equipment/inventory will be maintained.**

August, 2007



Current Personal Assets

Cash/Checking/Account
Savings Account
Stocks/Bonds
Accounts/Notes Receivable
Autos/Other Vehicles
Real Estate Value
Other Assets: (list)

Total Assets: \$**Current Personal Liabilities**

Balance on car
Balance on home
Credit card liability
Other loans (list)
Other liabilities
Child support
State tax/Federal tax liability

Total Liabilities: \$**Net Worth (Assets – Liabilities) TOTAL: \$**

Depending on applicant's score, an interview may follow to discuss next steps prior to acceptance into the IVRS Self-employment program

Step 3. Feasibility

After an application is scored indicating self-employment as a viable goal, Business Development Specialists and/or IVRS staff address specific areas prior to a client progressing further in the process. During the initial steps of the self-employment process, the IPE reflects %Assessment+ or %Other+ services (in status 120-0) until *Feasibility* is completed. The IPE is reviewed after *Feasibility* to determine if continuing with the business idea is still warranted. Once IVRS Business Development Specialists determine the business idea is *Feasible* (or that expansion of an existing business will produce an increased level of self- sufficiency), the IPE can be revised to reflect the necessary services to more fully develop the business and engage in active service delivery.

Feasibility requires consideration of the following:

1. Projected start-up costs
2. Projected market
3. Projected net income
4. Projected gross income
5. Current debts and payment structures
6. Legality of the business
7. Disability issues and compatibility with business with or without accommodations and individual's application of knowledge regarding disability management
8. Identified functional requirements of the job
9. Identified motivation for business ownership
10. Matching ability of the eligible individual (Individuals in default on federal loans or owing monies to the federal or state government would not be eligible to proceed unless the issues are resolved or a process set forth towards resolution)

August, 2007



INCOME (PROFIT) PROJECTIONS FOR THE FIRST YEAR OPERATION:**Projected Income**

1. Cash received From Merchandise Sales 0 0 0 0 0 0 \$ _____
2. Other Income 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
3. Less returns 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 ..0 0 0 \$ _____

Projected Gross Income (lines 1+2 -3) 0 0 0 0 0 0 .. \$ _____

Projected Expenses:

1. Rent/Deposit 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
2. Utilities/telephone 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
3. Legal/Accounting 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
4. Salaries 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 .0 0 \$ _____
5. Licenses/registration fees 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
6. Machinery and Equipment 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
7. Furniture 0 0 0 0 0 0 0 0 0 0 0 0 0 0 00 0 \$ _____
8. Office/Shop Supplies 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
9. Insurance 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
10. Income Taxes 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 .0 0 \$ _____
11. Advertising 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 ..0 0 \$ _____
12. Repayments/Loans 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 ..0 0 \$ _____
13. Maintenance/repairs of equipment/tools 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 \$ _____
14. Other Expenses (list) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 . 0 \$ _____

Projected Total Expenses (add lines 1 through 14) 0 0 \$ _____

NET INCOME (PROFIT) Projected Total Income Less Projected Total Expenses \$ _____

It is important to note if a business is determined *feasible*, a client may only receive a total of 50% of the start-up or expansion costs, unless an exception is granted. Each client is required to demonstrate the ability to contribute 50% of start-up costs, as well as the ability to cover costs beyond \$10,000 should the business require it.

Step 4. Business Planning

Once the Business Development Specialist determines that the business merits further consideration, a client is accepted into the IVRS Self-employment program and moves into *Business Planning*

The developed *Business Plan* is not written on an IPE to move a client into status 18-7 until it has been accepted by the IVRS Business Development Specialist and agreed upon by the counselor and client. That decision is made after determining the following:

- 1) the development of a small business is a *feasible* employment option for the client;
- 2) the *Business Plan* has a reasonable chance of success; and

August, 2007



3) the success of the *Business Plan* will result in the client reaching self-sufficiency within a reasonable period of time.

A client, IVRS staff and the Business Development Specialist work together to assure required information is included to progress through *Business Planning*. A client is responsible for developing a *Business Plan* describing the operation, marketing and financial sides of a proposed or existing business. While in-house and outside experts remain available for assistance, most clients should have the skills and knowledge to complete a *Business Plan* independently in outline form.

Cover Sheet: Name of Business, names of principals, address and phone number

Statement of Purpose

Table of Contents

Section One: Business Operation

Description of Business
Product/Service
Market
Location and Hours of Business
Competition
Management
Personnel
Application and Expected Effect of Loan
Summary

Section Two: Financial Data

Sources and Applications of Funding
Capital Equipment List
Balance sheet
Break-Even Analysis
Income Projections (Profit and Loss Statements)
Cash-Flow Projections

Section Three:

Resumes, balance sheets, letters of commitment from funding sources, contracts, leases, credit reports, reference letters, sales agreements, job descriptions, letters of intent, contracts, legal documents, survey reports, personnel policies, etc.

Section Four:

Concluding statement summarizing your Business Plan, goals and commitment to success.

The IVRS Business Development Specialist will review the results of the scored *Business Plan* with a client and counselor, and/or associate, in order for all involved to make an informed decision prior to entering the next step in the IVRS Self-employment program.

August, 2007



Step 5. Business Implementation

Once a client's Business Plan has been accepted for self-employment services, additional Technical Assistance and Financial Assistance funds can be made available dependent upon the specific needs of the business, and consistent with agency policies and procedures.

Financial Assistance

The financial support of the business requires extensive monitoring on the part of IVRS Business staff to determine if the business is meeting the projected income levels to warrant advancement. This process is a three tiered approach designed to ensure continuity, financial viability and achieve business sustainability. The financial authorization process requires a client to share equally in costs associated with the business and cooperate with IVRS guidelines during *Business Implementation* activities. Financial support also requires that a client demonstrate cooperation by providing IVRS Business Development Specialists financial information before additional funds are expended.

- Phase I - Business start-up: 33% of \$10,000 is authorized for the initial needs of the business. During start-up, a client puts up 50% of the costs and IVRS pays 50% of the costs, not to exceed 33% of \$10,000. If a determination is made that the business requires more than the 50/50 match to open its doors, IVRS Business Development Specialists may recommend counselors consider increasing the initial 33% amount.
- Phase 2 . Cash flow: 33% of \$10,000 can be authorized (unless during the initial start-up, additional funds were required which would be subtracted at this phase). The amount authorized is recommended by the IVRS Business Consultant familiar with items needed for purchase to the rehabilitation counselor for approval. The IVRS Business Development Specialist determines how the business is progressing in relationship to projected income levels, providing Technical Assistance (defined below) as needed. If additional specialty expertise could enhance the growth of the business, additional Technical Assistance could be authorized if the full amount had not been used during Business Planning. Financial Assistance is only authorized if the business has a need for funds in order to be successful, and the client can provide or demonstrate a 50% match of the requested amount.
- Phase 3 . Business Sustainability: the final amount authorized cannot exceed 34% of \$10,000 (or the balance remaining if additional funds were authorized beyond \$6600 in the first two phases).

An authorization is recommended by the IVRS Business Development Specialist for counselor approval after a determination has been made that additional funds are warranted. Financial Assistance can be provided if the business has progressed to a point where funds would allow the business to reach sustainability or

August, 2007



growth at the planned level. Prior to an authorization, a client must contribute 50% of the funds and demonstrated cooperation through the initial two phases.

Any time in the process that Business Plan projections do not meet anticipated expectations, plans should be reviewed and decisions made concerning steps to revisit, or re-evaluating the feasibility of the business if necessary.

The financial projections should be consistent to the level of income needed by the individual as agreed upon in the IPE and Business Plan.

Technical Assistance

Technical Assistance includes direct service provision in implementing business operations, collecting and analyzing monthly financial information, providing progress reports to counselors and making appropriate recommendations if specialized services are needed.

Technical Assistance occurs within *Feasibility*, *Business Planning* and *Business Implementation*. The IVRS Business Development Specialist identifies whether specialty consultants are needed, and provides recommendations for Technical Assistance to counselors for approval.

- *Feasibility* relates to services necessary to determine if the business concept is feasible.
- *Business Planning* relates to services needed to develop and approve a business plan.
- *Business Implementation* occurs at the time of business start-up and continues until business stabilization is reached.

Progress reports providing an overview of the previous month are supplied by the 15th of each month by IVRS Business Development Specialists to counselors for review during *Business Implementation*. Business Development Specialists recommend a date for business stabilization in collaboration with a client and counselor, in order for a case file to move to status 22-0.

- The intent of any service provided is to help the business achieve stabilization (Status 22-0).
- There is no specified number of months from business start-up to stabilization.
- An authorization is recommended by the IVRS Business Development Specialist for counselor approval after a determination has been made that additional funds are warranted. Financial Assistance can be provided if the business has progressed to a point where funds would allow the business to reach sustainability or
- Stabilization is defined as a point in the business where the client, counselor and Business Development Specialist agree that the business is operating as

August, 2007



outlined on the IPE and meeting financial projections specified in the Business Plan. This involves all parties and triggers a status movement to 22-0, as well as changes within service delivery.

- At stabilization, the business would be considered self-sustaining and earning a minimum of 80% of SGA monthly unless an exception has been approved.
- At status 22-0, service delivery focuses on monitoring

Step 6. Business Monitoring

- Occurs when the client is placed in status 22-0.
- Services include a minimum of monthly communication by the IVRS Business Development Specialist with the client and counselor to ensure business operations are continuing as planned.
- Financial information is collected and analyzed to assure the business is on track for eventual closure in status 26-0.
- If assistance or service is needed beyond minimal trouble-shooting by the Business Development Specialist to resolve issues, it should be provided, however 90 additional days must pass since purchasing services at this point indicates the business was not stable. This may also reflect a need to move the case from status 22-0 to 18-7 if additional service provision is needed to reach stabilization again.
- At the end of *Business Monitoring* (a minimum of 90 days), Business Development Specialists prepare a final report outlining client earnings, benefits and current status of the business for counselors to review. Recommendations included a date for case closure, and upon agreement by all parties, paperwork can be completed between a counselor and client to close the case in status 26-0.

Counselors are involved in continual communication with IVRS staff during all phases of self-employment services including *Business Monitoring*. The Business Development Specialist addresses service issues related to the business, while the counselor maintains contact to concentrate on other rehabilitation issues impacting client progress. This is also an excellent opportunity for IVRS staff to sustain a valued relationship with a client and obtain needed feedback related to client satisfaction with the IVRS Self-employment program.

C. Agency Expectations

1. The IPE is initially written to reflect that the feasibility of the business concept is being considered by listing ~~%Assessment+or %Other+~~ under *Services Needed*. Once the Business Development Specialist determines that a client's Business Plan is Feasible, a client progresses to the next step in the self-employment process.
2. The Business Plan will not be written into an IPE until it has been accepted by

August, 2007



IVRS Business Development Specialist and agreed upon by both the client and counselor.

3. An Orientation Workshop outlining steps involved in owning and operating a business will be made available to the client.
4. The Individual Plan of Employment and the Business Plan will demonstrate a search for comparable services and benefits.
5. Feasibility studies are all part of the Informed Choice process with the understanding that outside consultants may need to be utilized.
6. Appeals of decisions made within the self-employment process are through the regular IVRS procedure.
7. Self-employment cases are placed in Status 18-7 during *Business Implementation* until the IVRS Business Development Specialist determines that business stabilization has occurred.
8. Closure Criteria:

A self-employment case can be closed as rehabilitated (Status 26-0) when all of the following are met:

- The client has achieved self-sufficiency.
- The business has been operating for at least 180 days, unless the income projections for an earlier period have been met or exceeded.
- Projections indicate the business will continue to operate.
- The client owns and operates at least 51% of the business.
- All other criteria established in the Rehabilitation Act for successful closure has been met.
- The individual earns a personal net income of 80% of SGA monthly and/or consistent with the Business Plan objectives.

WAIVER: If the dollar amount is less than 80% of SGA but the client is achieving at an optimal level of employment as determined by team members, an exception request for case closure can be made to the Office Supervisor.

D. Exceptions

The following require an exception through the Office Supervisor, or identified personnel:

1. Exceeding \$10,000 for Technical Assistance (Office Supervisor).
2. Exceeding \$10,000 for Financial Assistance (Office Supervisor).

August, 2007



3. Not requiring the client to contribute at least 50% of the financial package (Office Supervisor).
4. Closure occurring less than 180 days of business operations.
5. If a vehicle is to be purchased for use in a business, it must be shown that the vehicle is an integral part of the business and is specifically related to a business equipment or service need. The request for a vehicle purchase needs to go through the Office Supervisor and the IVRS Program Planning Administrator.
6. Cost measures can be waived by the Administrator based on such factors as change in disability, service availability, limited alternatives, or other grounds when it can be demonstrated that the client would otherwise be unable to obtain the service resulting in an inability to achieve the employment outcome identified on their IPE.
7. When the local office supervisor and counselor disagree with the decision of the self employment specialists, they may request a formal review of the decision. This exception is submitted to the Assistant Chief who will present the local office decision to the Bureau Chief and ISE manager who together determine if an exception is warranted.

E. Self-Employment Responsibilities

The following responsibilities are expected of any client seeking and obtaining IVRS assistance in self-employment.

- Client understands that compliance with all applicable federal, state, local regulations and statutory requirements (including income reporting and filing and paying taxes) is required.
- Client agrees to report any changes that may affect the planned program to their counselor and understands that any changes or additions to the plan must be discussed and approved prior to implementing the changes or purchasing additional services.
- Client agrees to cooperate with IVRS monitoring requirements and provide necessary information to assist the counselor in understanding his/her progress in self-employment, and document business revenues.
- Client will not sell, mortgage, give away or dispose of any tools, equipment or supplies without the consent of IVRS unless the client holds title to the item.
- Client agrees to return tools, equipment and/or supplies not being used in the business, and understands items are subject to recovery by the State at any time prior to successful case closure, at which time client assumes ownership.
- Client understands that the State retains title to any item in which there is a shared financial participation and is not considered owner until the case record reflects a successful closure.
- Client agrees to abide by the terms and conditions outlined prior to receiving any tools, equipment and/or initial supplies.

April, 2008



F. Tool, Equipment and Supply Purchases

A client understands that in order to receive tools, equipment and/or initial supplies, the following conditions must be met:

- Client has adequate resources available for the proper maintenance and upkeep of tools, equipment and initial supplies.
- Client has the proper skills and managerial ability to succeed in the trade or occupation for which the equipment is provided.
- Appropriate insurance and liability is obtained/maintained to protect the client and business in case of incident.
- Client agrees that before tools, equipment and/or supplies are provided, they do not acquire ownership until their case is successfully closed. It is understood if a business discontinues operation, the State of Iowa has the right to repossess the tools or equipment for re-issue.

G. Title Requirements

The client's title to non-expendable tools, equipment and initial supplies is conditional and title to items purchased becomes the client's under the following condition:

- instances when tools are provided during training or within the self-employment process, client ownership occurs on the date a file is closed successfully in status 26-0.

OTHER DEFINITIONS RELATED TO BUSINESS

Accounting . The task of organizing business financial transactions. Accounting work includes budgeting, cost analysis, financial reporting, tax preparation and auditing.

Advertising . Any paid form of attracting attention to a business, usually within the media such as television, radio, magazines and the newspaper.

Articles of Incorporation . The documents filed with a state government that form a corporation and describe its structure. Fees for filing vary among states.

Asset . Any item of lasting value. In business, assets usually include land, buildings, vehicles, furniture, bank accounts and inventory.

Board of Directors . A group of people elected by stockholders to run a corporation.

Bookkeeping . The recording of financial transactions in a ledger.

Business Plan . A comprehensive blueprint for a new business, referred to as the ~~blueprint~~ needed to hook potential investors or lenders.

Business Structure/Form . The legal form of conducting business that consists of main types of business structure: sole proprietorship, partnership and the corporation.

August, 2007



Capital . The money used to start and run a business. Most start-up capital comes from a client, their family or friends.

Chamber of Commerce . An international non-profit organization devoted to promoting American business and helping business owners.

Commission . Payment of a percentage of the sale of a product to the person who sold it.

Competition . Those companies operating in the same market with similar products or services trying to attract the same customers.

Continuity . In business, continuity means the ability to keep the business going despite problems such as illness or death of one or more owners.

Cosigner . Someone who shares authority and responsibility for a bank account stock.

Corporation . One of the three main legal forms of doing business. To form a corporation, the company must file Articles of Incorporation and issue stock.

DBA - Doing Business As. A DBA form must be filed at the county clerk's office for sole proprietorships or partnerships if the business name is different from their own name.

Depreciation . The annual expense of using an asset in business. Depreciation is that percentage of the value of the asset used in any one year. (The IRS determines the useful life of assets and set depreciation rates).

Direct Mail . A form of advertising in which letters and/or brochures are mailed directly to those people most likely to buy a product or service.

Employer Identification Number . An official number issued by the IRS required for all businesses that hire employees.

Entrepreneur . Anyone who starts, manages and assumes the risk for a new business.

Equity . The money an entrepreneur brings to the business.

Expense . The cost of doing business. Examples include office supplies, stamps, telephones and advertising.

FICA . An abbreviation for Federal Insurance Contributions Act which translates into Social Security Tax.

August, 2007



Finance - The area of business dealing with money, banking and investments.

Fixed Costs . The regular, ongoing costs of running a business that don't really depend upon how many customers there are. Examples of fixed costs are advertising, office expenses, utilities and rent.

Franchise . A franchise is a locally owned outlet of a national company (such as McDonald's or Subway) in which a fee is paid for the rights to sell a nationally-recognized product or service.

Guarantee . A promise or agreement that states the quality or length of a time a product or service should last, usually meaning the provider will replace it or provide a new one if the product or service fails to last.

Income . In business, income is money received from customers through the sale of products or services. Income minus expenses equals profit.

Income Statement . A financial statement that shows how much profit was earned over a specific period of time, sometime called a Profit and Loss (or P & L) Statement.

Income Tax . A tax collected by state and federal governments. The amount paid is based on a percentage of personal or business income.

Incorporate . The act of forming a corporation by filing Articles of Incorporation with a state's Secretary of State office and issuing stock.

Internal Revenue Service (IRS) . The agency of the federal government that collects taxes and administers tax laws.

Inventory . The amount of supplies, materials and/or products currently on hand to be sold. Inventory is considered a company asset, like cash or land.

Invoice . A statement issued to customers with the date, price, delivery and sales tax information. Typically, one copy of the invoice is given to the customer and at least one copy is kept for the seller's business records.

Liability . In business, liability means responsibility for a company's debts or legal claims.

Mailing List . A list of names and addresses purchased from a mailing list broker that is used for direct mail marketing.

Management . The process of leading and guiding a business. A manager is responsible for the outcome of the business with tasks that include planning, organizing, leading employees and controlling business activities.

August, 2007



Manufacturing - A type of business where products are made and then sold to a wholesaler or directly to a retail store.

Market Research . The investigation process that a business goes through to find out what customers want.

Marketing . The process of getting the right goods and services to the right people, at the right price, at the right time and place, with the right communication and promotion. Marketing activities include market research, advertising, public relations, pricing and product distribution.

Market Analysis . Consists of analyzing your Industry, your Customer and your Competition.

Networking . The process of finding new business opportunities by contacting friends, relatives and business associates.

Net Profit . Refers to profit that is produced after all expenses and overhead are paid.

Organization Chart . A drawing which shows the relationship between managers and employees in a company.

Owner's Withdrawal . A sole proprietor cannot pay their own salary since earnings are the profits left over after all expenses have been paid. They can however, can make an Owner's Withdrawal on a regular basis, based upon the estimate of company profits.

Partnership . One of the three main legal forms of doing business. In a partnership, more than one person invests in and assumes responsibility for the business.

Profit . The amount of money left after a business has made a sale and paid all expenses.

Profit/Loss Statement . (see Income Statement) It describes how much profit was earned over a specific period of time.

Refund . Money given back to a customer dissatisfied with a product or service which can be made in cash or in replacement merchandise (or both).

Retail . A type of business that buys goods from a wholesaler or manufacturer at one price, then marks it up to a higher price and sells it at a profit.

Revenue . All money taken in by a business from the sale of goods and/or services to customers.

August, 2007



Sales Tax . A tax collected by state (and some city governments) based on a percentage of the retail price of a product.

Small Business Administration (SBA) - An agency of the United States Department of Commerce set up to assist entrepreneurs. The SBA provides counseling, information, seminars and loans to help promote small business.

Social Security Tax . The tax collected by the federal government to pay benefits to workers when they retire, die or are disabled.

Sole Proprietorship . One of the three main legal forms of doing business and the easiest type to set up. One person owns and has complete control of the business.

Sources and Uses of Cash - A statement that illustrates how much cash is needed, where it will come from, and how it will be used to start-up and operate the business.

Stock . A certificate issued by a corporation that grants the stockholder partial ownership in the corporation.

Stockbroker . Someone licensed to buy and sell securities such as stocks and bonds.

Stockholder . Someone who owns part of a corporation.

Undercapitalization . Lack of money to keep a business going. Many new business owners fail to understand how much money is needed to run a business.

Unemployment Tax . Money collected by the state and federal governments from employers to pay benefits to workers who are laid off from jobs.

Variable Cost . Expenses that go up and down based upon the business volume.

W-4 Withholding Exemption Certificate . A form that needs to be filled out by every new employee that instructs the employer how much income tax to withhold from their paycheck.

Wholesale . Relating to the sale of goods for the purpose of resale to the final customers.

Zoning - Regulations established by local governments that set standards for doing business. Zoning laws vary from community to community. They state where and how small business are run in a town. Many towns have zoning laws which forbid certain businesses to be run out of a home.

August, 2007

